

I could never take the place of your manⁱ: How network pictures and routines dynamically collide

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Abstract

We explore the dynamic tensions between the strategic change intentions by business actors and the rigidities of routines in business networks. We capture strategic change acts using the recent advances in the literature on network pictures as way to understand the value creation logics of managers and we coin the term network picturing to describe this process. We develop a theoretical framework that links network pictures and the patterned processes of interaction in business network routines. Here, we argue that the resistance managers' meet in their change efforts is likely, even if the change efforts do not directly rival or contradict that of other actors in the exchange party in a resource-dependency sense, but may be caused simply by disrupting the existing business network. We use three case studies to illustrate and further explore the tensions between network picturing and network routines. In the final part we develop propositions on how network routines collide with network pictures.

Key words: relationship management, strategic defeat, network picturing, network routines

Introduction

In the network society, initiating and developing network position has come to fore as a strategic challenge for business firms ([Castells, 1996](#)). A stream of the growing literature on network pictures addresses how managers envision, mediate and combine activities and resources in business networks (Ford & Redwood, 2005; Geiger & Finch, 2010; Henneberg, Mouzas, & Naude, 2006). Much like the Schumpeterian entrepreneur, who construct new business opportunities by “creatively destructing” the expectations of buyers and sellers, strategizing business actors imagine novel (re)combinations of business activities in business networks (Anderson, Havila, Andersen, & Halinen, 1998; Ford & Redwood, 2005).

The network picture perspective is rooted firmly in a strategic choice tradition in the management literature (Child, 1972; Colville & Pye, 2010) It builds on the notion of managers as sense-makers (Colville & Pye, 2010). The agency of entrepreneurs provides a welcome and valuable approach to understanding how network dynamics unfold. However, in our view, this literature would benefit from taking into consideration how existing structures and processes in networks impacts on the creative possibilities of network picture makers. As strategizers, managers build on subjective logics, with respect their own role and that of others in the value creating processes, and each seek to govern the network in a direction most beneficial to themselves. At the core of this process is the never settled division of work among network actors, who each seek to govern the activities of others and thus strive to enhance their own positional advantages. Hence, there is an ongoing dynamic tension between the pictures that network managers hold of value creation possibilities and the rigidities of interconnected exchange relationships in networks. So far, few empirical accounts exist regarding this tension between the disruptive forces of strategic intent and network inertia. We ask the question: How do network pictures and business networks collide? The purpose of this paper is to explore further the interaction between organizational rigidity of networks and imagined network change.

A case study approach is adopted to analyze three cases of failed attempts in seeking to revise roles in business relationships derived from actor’s strategic picturing of new network constellations.

This study shows that introducing new and altering existing activities in relationship may be very difficult to achieve as these re-definitions of relationship roles may collide with the rigidities of existing divisions of work. The findings of this study contribute with increased understandings of firm strategies for relationship development. From the present study we learn that strategic choices of firms, in a collaborative context of interdependencies, are restricted by the contingencies of past dealings. The paper concludes that defeat

and the never settle division of work is determined by three overall tensions related to history, power balance and internal failure to build common pictures of relationships and networks.

The paper is organized as follows: The following sections outline the theoretical frame of reference for discussing relationship building as creating network picturing and networks and relationship management as routines. Then methodological reflections are presented followed by three cases of failed attempts to revise roles in business relationships. Next, the cases are analyzed and the dynamic tensions between creative picturing and stabilizing routines are discussed.

Stability and change in business networks: Interorganizational routines and creative network picturing

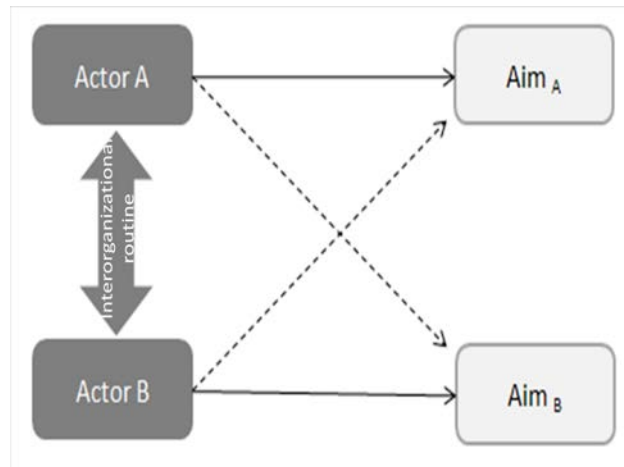
Business networks consist of interdependent and interacting business actors, which use resources and conduct activities that are valuable for others, but also uses the resources and activities of other actors in order to create value. Over time, actors form a set of connected exchange relationships, which is the backbone of a business network as an organizational form (Snehota, 1993). Business networks can be analyzed from several dimensions, such as actor ties, activity links and resource chains (Håkansson & Snehota, 1995) or from the perspective of process, structure or focal actors (Easton, 1992). In the present context, our vantage point is the dynamics between the agency of actors and business network structure as a restraining force. We are concerned with understanding how the organizational structuring of networks in the form of ongoing and stabilized exchange activities that unfolds among the actors can be understood as a force impacting on strategizing business actors' ability to imagine and pursue new strategic possibilities. To dig deeper into the organizing features of business networks as a stabilizing and restraining force, we draw on the notion of interorganizational routines as a form of truce or tacit agreement among business actors, which both makes interaction efficient, but also normalizes and creates interlocked action patterns, which to some extent are rigid (Andersen, 2003; Delmestri, 1998; Zollo, Reuer, & Singh, 2002). We further develop the concept to capture the socio-cognitive or sensemaking aspects of interaction that underlines the workings of interorganizational routines. This is done in order to be able link the concept more effective to the notion of network pictures, A network picture is a mental representation of the identities, positions and roles of business network held by any focal actor in the network (Henneberg, Mouzas, & Naudé, 2006). In our conception here, a creative network picture represents an imagined future state of the business network, including the role of the business actors and that of others. Creative network picturing is one way of describing the strategizing efforts of a business actor in a network. Also, we think it holds the key to explore how network routines affect and is affected by the strategizing efforts of actors.

Network routines as sensemaking devices

Traditionally in the business literature, routines have been used to describe an organization's ability to coordinate behavior across individuals and departments (Nelson and Winter 1982). Routines, like standard operation procedures, present what an organization is capable of doing with respect to transforming specific inputs into outputs repetitively and with a specific certainty regarding the output. Recently, research on routines suggest that rather than treating them as an organizational feature or "gene", as suggested by Nelson & Winter (1982), it is a feature of interpersonal interaction (Feldman, 2000). This insight opens up for viewing routines as a more general feature for understanding organizing behavior in institutional settings outside the organization, such as for instance business networks (Andersen, 2003; Delmestri, 1998). Used in a business network context, routines can be seen as a device for coordinating activities and recombining resources across organizations in the sense that business exchange is considered similar to the conceptualization of organizational routines.

In business networks, routines provide procedures for solving resource and activity interdependence issues. Interorganizational routines can be seen as the answer to an inherent governance dilemma in business network. In networks there is no visible hand directing activities, nor an invisible hand matching countless standardized commodities with needs. Instead, actors are self-serving, heterogeneously positioned and have idiosyncratic wants. At the same time in order to create value, business actors are co-depending on the behaviors of others. From the single organization's point of view, inter-organizational routines thus describe a sequenced pattern of activities performed to achieve a specific aim within a relationship (Kragh and Andersen 2008). In a business relationship, in order for actor A to get what is wanted, the actor must do something that evokes a specific response in actor B. At the same time, Actor B may seek a similar response in actor A and search in its repertoire of actions that may lead to the desired behavior. Weick (1979) describe this as a mutual equivalence structure, where the "something" actor A does is an instrumental act, that helps actor B and the consummatory act is actor B's response (see figure 1).

Figure 1: Basic mutual equivalence structure



As actors interact, they gradually learn and fine-tune what instrumental acts elicit the proper responses, and thus form an interlocked routine for expediting these activities. Thus, a proven set of expectations-outcome linkages is at cornerstone of the sensemaking process that links relationships as means to reach specific ends. A real life example of this double interact, may be seen in a case of a supplier and a buyer, where the buyer's ability to avoid delayed and supplies (a consummatory act) depends on the buyer giving the supplier access to information and even training programs that helps the supplier improving their ability to meet the buyer's quality demands (an instrumental act). Likewise, the supplier may learn, that access to influencing the buyers quality inspectors and strengthening their relationship bonds (a consummatory act) is provided if they invest some time in participating in the training programs provided (an instrumental act)

Although this representation of an interorganizational routine is rather simple and only pictures a dyad, the logic can easily be extended to triads and to wider networks. Even at the dyadic level, it holds important lessons for our discussion. First, we can link the concept of interorganizational routines to the subjective rationality of each business actor, where interaction is a means to reach a desired end. In other words, we can understand the coordinated act as a process of an actor learning: "if I do A, the actor responds by B". Relationship building can from this perspective be seen as a process of learning to adopt more and more efficient instrumental acts that elicit desired outcomes and explain how organized patterns of exchange emerge.

Second, it is important to underline that the consummatory and instrumental acts are not directly linked. In order to establish interorganizational routines, it takes a mutual ability to predict, rather than an ability to share goals. The activities and resources controlled by both actors are instrumental for those of the other

but links to very different aims and they need not understanding each others' aim and may function even with an incomplete understanding of how the other actor derives value. From the single actor's point of view, inter-organizational routines thus describe a sequenced pattern of activities performed to achieve a specific aim within a relationship which may or may not be shared with others. Shared network pictures are possible but do not necessarily arise from interaction.. This is precisely also why subjective network pictures are possible as we shall address later.

Third, as noted from the example given, the actors do not necessarily have a joint goal for an interorganizational routine to emerge. Thus, rigidity in business networks may also be caused by cognitive dependence on established and stabilized patterns of organization, where actors can predict and therefore plan. This expands the notion of the resource-dependence perspective, coordination results from a truce over the sharing of resources. This insight differ from how other influential theoretical perspectives addresses the interorganizational coordination phenomenon. In a transaction cost theory perspective, the interests of buyers and sellers necessarily conflict with respect to division of returns (Heide & John, 1988). However, actors are heterogeneously positioned in business networks with respect to evaluating and using resources. Furthermore, resource-dependence theory see coordination across organizational boundaries as a matter of netting out contradicting interests with respect to the utilization of a given resource (Pfeffer & Salancik, 1978). The actors do not necessarily see the utility of resources in the same way.

Strategizing as creative network picturing

In the IMP tradition, strategizing is not only a question of aligning internal resources to achieve the best fit with the external task environment. It takes place through and with other actors controlling resources and activities upon which the firm partly depends (Baraldi, Brennan, Harrison, Tunisini, & Zolkiewski, 2007). Managers interact with other business actors, based on their perceptions of opportunities, thus continuing the process of co-creating and shaping the business network. At the heart of managers' actions are their beliefs, theories and heuristics, which guide them in their strategic endeavors. Network pictures provides a relevant lens to reach an insight into the actors' interpretation and perception of the network setting, and accordingly how strategic actions can be formed to reach intended future states. A network picture "*refers to the views of the network held by participants in that network*" (Ford, Gadde, Hakansson, & Snehota, 2003:176). The concepts and underlying dimensions of network pictures have received increasing attention by researchers having an interest in the actors' possibilities for leading in networks.

An important starting point for understanding creative network picturing process in our view is the positioning intent of the single business actor. Essential to add to the discussion of firm strategic intentions for initiating or developing network position is that the scope for acting and creating value is framed by and embedded in existing relationships and the wider network (Johanson & Mattsson, 1992). What we focus on here in particular is the notion of imagining a future state of the business network and the business actor's position and value creation opportunities. Value creation possibilities and network development possibilities are linked to a network position (Ford et al., 2003; Johanson & Mattsson, 1992). It concerns the subjective rationale and imagined value creation potential of the exchange with others. Building on the work of Thorelli (1986) network position is considered a structural concept, that reflects your ability to grant or block access to other actors. A strong network position can be utilized for steering the coordinating effort of other firms with a less strong position in the same network with the aim of creating value. Andersen & Kragh (2009) links the concept of network pictures and business activities as the interpretation of the role distribution among network actors including a) managers' understanding of their organization's role in the value creation process and what routines are deemed critical in this process, b) their understanding of the role of other actors in the value creation process, and c) their understanding of how value is appropriated by various actors in this process (op. cit, 643).

Dynamic tensions between interorganizational routines and creative network pictures

How do managers' creative network picturing and inter-organizational routines interrelate? We see three principal routes:

First, a manager's creative network picturing also entails an image of the interorganizational routines to be activated. However, as already discussed, the value creation logics of business actors are incomplete and subjective. Uncovering ignored linkages between instrumental and consummatory acts may help, hinder or refocus managers' efforts to strategically repositioning themselves. The strategy literature contains many cases, where once leading business actors unfolded actions which aimed at value creation but built on a limited or incomplete idea of their own and other's role in value creation. IBM and its undervaluation of the criticality of business relations to suppliers such as Intel and Microsoft is one case in point

Second, redefining relationship roles is part of the ongoing rivalry in a relationship dyad, where the other party holds intentions for network position as well. Actions based on a firm strategic intention for developing network position will be influenced by the interaction of those dyad relationships and wider

network (Andersen, 2008). At the other end of every relationship dyad is a business partner with their own intentions and strategic aspirations who is also interconnected to a wider network, any change effort holds the potential of disrupting existing activities. Clearly we can think of changes which have no impact on or even reinforce existing balances, but our particular focus is on strategic network picturing efforts, which have a repositioning aim and thus calls for some form of rebalancing or more fundamental change of network structure (Dahlin, Fors, Havila, & Thilenius, 2005). Network routines rest, as suggested by contract theory on organization, on an intricate web of truces, where changes must be rebalanced for the network organization to maintain its stability (Araujo & Harrison, 2002). Interesting for us is however not only the path dependency of networks as a stabilizing force, but the micro-processes of ordering and reordering that unfolds as interactive processes in dyads. Our interest concerns the tension between strategic network picturing and relationship management routines as one type of these micro-ordering processes. Interestingly here in the concept of strategic network picturing effort is the managers' limited ability to grasp the complexity of these interdependencies. Thus, we assume that creative network picturing effort is often met with resistance from the actors involved in the receiving end, based on their own strategic intent and how this is affected. This reality check initiates the interaction with a business partner and as suggested by the rather stable nature of networks, intended changes following a network picturing effort seldom succeeds. In the following we use three case studies, to trace this interactive process and to explore deeper some of the reasons for failure.

Third, if successful, creative network mapping and implementation can lead to the realization of new value creation possibilities, which may cause an adjustment of network routines or may disrupt them altogether. For example, in the automobile industry, by introducing the single supplier concept with early involvement of suppliers in product design, in the 1980s Toyota successfully managed to redefine its role towards strategic suppliers of components compared to its US rivals. Hence, rather than playing by the rules of the game, in terms of adversarial supplier policies, Toyota enacted new roles for suppliers as co-developers of its new car series. This resulted not only in better quality cars, but also in successfully capturing better access to the knowledge and skills of world class suppliers, relative to their US rivals (Jarillo 1993).

Methodological Reflections

The empirical foundation of this paper consists of three case studies of firms questing to alter established relationship- and network specific routines to develop a network position. A qualitative case study approach is chosen, since this approach allows for exploring complex and evolving social phenomenon (Yin, 2003). Our cases is based on a study of collaborative product development in the Danish food industry

([Munksgaard, 2009](#)). The three case firms have been chosen due to their special/extreme nature as failures of initiating or developing a network position.

Data was collected through qualitative, face-to-face semi-structured interviews. A total of 23 interviews were conducted for the present study, each lasting approximately 1 hour. Interviewees were selected from all implicated firms (focal firm, customer and other collaboration partners involved) and were employed as manager (e.g. innovation or project manager). Interviews concerned issues of interviewees' network pictures as well as perception of the development of relationships. Further, insights of routines were obtained through interviews as interviewees were asked to describe own and joint routines. Insights concerning routines were validated through interviews with collaboration partners. All interviews were transcribed and coded by one of the authors using the software Nvivo. Joint interpretations and discussions between the authors have addressed the tension between strategic network picturing and relationship management routines of each case as well as across cases.

Three cases of attempts to revise network routines

This section will present three cases from the Danish food industry introducing typical firms questing to revise their role vis-à-vis product development partners. Based on strategic intentions for value creation possibilities each firm seeks to alter existing patterns of joint developments by e.g. overtaking activities or introducing new activities and thus redefining relationship roles. The following presentations will highlight the creative picturing of the focal case firm, the value creation possibilities seen by product development managers, the initiative to alter the division of work between network partners and the interaction with and chain of reactions among partners leading to defeat.

Case 1: Aston Proteins - bypassing distributors to build direct customer relationships

Suppliers of functional proteins applied in e.g. soups, snacks, various sausages and cold cuts are important contributors to the innovative effort of other ingredient producers and meat processors. Using proteins as ingredients provides functionality as binding material (binding fat and water to meat), which is an important function in food production. When ingredient producers and meat processors develop new products or refine existing ones, protein suppliers often play a central role, as new recipes are developed and applied. The characteristic of joint efforts between proteins suppliers and their customers varies around the world, due to local structural differences in the meat industry. In the German market, ingredient warehouses mediate the business between protein suppliers and meat processors.

Aston Proteins is a smaller division in the large international, but Danish based corporation Aston Group, who manufacturers branded functional proteins to the food processing and food producing sectors. Aston's functional proteins are manufactured in a rather complex process, and they are based on animal residual products from slaughterhouses. As much as 95% of the firm's production is based on pork residuals (mainly skin) which is technically easier to process, compared to poultry or beef. However, recently the firm has developed a branded functional protein based on beef.

The German market has long been of particular interest to Aston due to close geographical proximity. Further Germany is interesting because of a growing market for döner kebab which is considered an attractive area for the firm's new beef protein. For years this market has been served through the mediating distributor Gellert, with whom Aston Proteins has a close relationship.

Existing relationship management/network routines

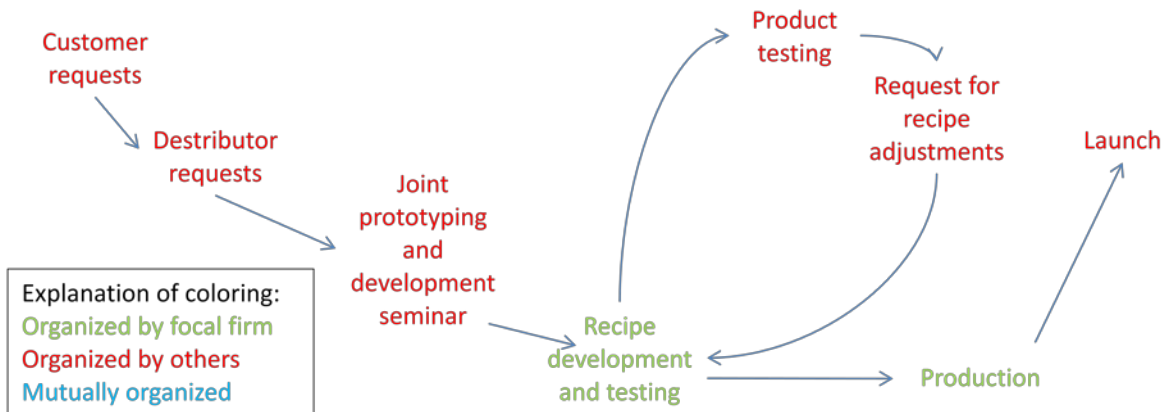
The business of protein suppliers is mainly based on the development of customers' product to include the application of their products. Making customers applicate new functional proteins is a rather long-termed process often requiring further production process adaptations, testing and alterations of final food product declarations. The joint development effort with customers may therefore render longer negotiations and joint activities.

However, since it is rather easy for competitors and equipment suppliers to unveil new developments protein suppliers are very secretive about of new product developments. Similarly, customers may be reluctant to reveal their product and production secrets to others. The joint development game between protein suppliers and customers is measured in suppliers' ability to provide customers with application knowledge that may advance the customers' products. This is to happen without violating the trust of the customer and in respect to the wished confidence. In the German market for döner kebab this is even more pronounced, since kebab producers consist of a closed ethnic milieu.

Aston Proteins' network picture of its current position

As illustrated in figure 2, Aston Proteins rely heavily on the mediating distributor Gellert in the German market. The distributor is perceived to be a central partner for building relationships to customers, who facilitate and organize the flow of requests for new recipes from customers. Aston Proteins is essentially dependent on Gellert for attaining information to service customers with application development and also to organize the daily and general business exchange and flow of goods, services and information between the parties.

Figure 2: Aston Proteins' network picture of its current position



Whereas the past relationship routines may be characterized by indirect leadership of customer relationships, the mediating role of distributors is to an increasing extent perceived to be problematic.

Sometimes distributors are disturbing. Or they are the reason that we are not able to follow-up directly at our pace. Or get orders as fast as we would like to. Or in general control the development on the market. The Area Sales Manager is dependent on distributors' capabilities to build the relationship. And that might be an advantage, but can also be a disadvantage when we are not the ones setting the agenda, i.e. who to visit and what to focus on. Additionally, going through the distributor we risk losing information or not being attentive to what is happening out there, i.e. finding out what makes the customer buy the product, getting that kind of market or user information, right.

Corporate Marketing Manager, Aston Proteins

While Aston Proteins considers itself a central player in the industry and market leader of its niche, the firm is experiencing an increasing competition on price especially emanating from one competitor. This understanding of competitive situation is reflected in collaborations with customers for application development and is creating perceived boundaries for involving partners in protein developments.

We used to have a more indirect leadership of relationship through our distributor. However, our competitive situation has proved to us that it is all about building direct relationship to customers using the distributor as a means to reach customers in the way we choose (...). If we want to make sure that we at Aston Proteins have relationships and keep them, then we have to get closer

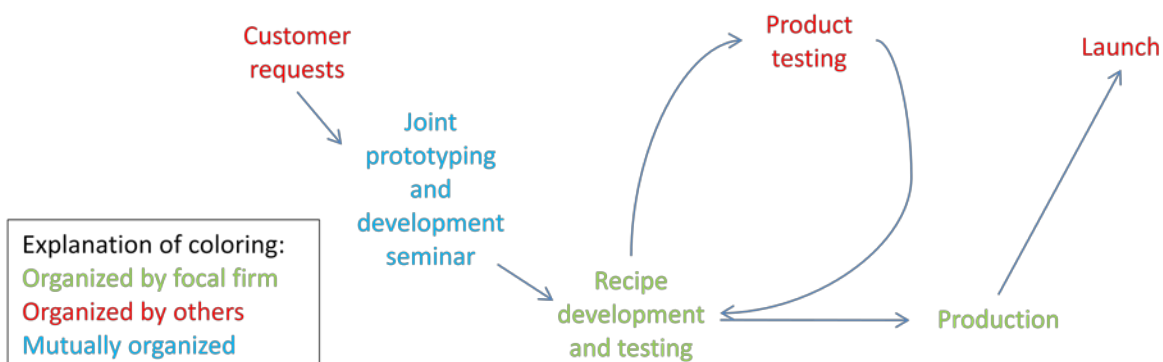
to the market. When building relationships simply having a closer dialogue more often with customers.

Vice-President Sales and Marketing, Aston Proteins

Picturing value creation possibilities through joint knowledge exchange

In order to sustain value creation Aston Proteins is trying to enhance its understanding of the customer in order to retain exchanges. Accordingly, the firm wants to mutually organize activities with customers to set an increasing focus on building closer and direct relationships to customers. This is illustrated in figure 3. Collaborating with customers for application development is thus perceived part of the positioning game and a way for Aston Proteins to retain or create positioning advantages in what is believed to be an increasingly competitive environment.

Figure 3: Aston Proteins' network picturing of value creation possibilities



With the development of the new beef protein, Aston Proteins sees a possibility to access the German market and especially for approaching the customer Stern, with whom Aston Proteins until now has done limited business. Stern possesses valuable knowledge of the ethnic döner kebab market. Accordingly, Aston Protein invites Stern and distributor Gellert to at joint three day long development meeting for exchanging product and market related knowledge and for developing and testing a prototype application of the new beef protein on kebab.

Interaction and outcome

In general terms, Aston Proteins seeks to retain their nice position and bind together product application development, customer relationship development and sales through joint meetings with customers and distributors. The mutual knowledge exchange at the joint meeting is considered a value creation opportunity. During the three day application meeting focusing on recipes and methods for kebab

production, the atmosphere is very professional and the dialogue between the three participating firms is relatively equal in the sense that everyone is enthusiastic and contributes to the developmental discussion.

Stern possesses crucial knowledge, and in many instances the customer is taking on the chairing role in technical discussions. Due to the distributor's close relationship to the customer, Gellert orchestrates the knowledge exchange and keeps the meeting logbook of test and prototyping results. Accordingly, Gellert plays a significant role as a mediator when the parties share complementary knowledge. Still, the joint and direct meeting between Stern and Aston Proteins was essential for the knowledge sharing to occur. This is especially obvious when taking into consideration the practically non-existing transfer of information and knowledge subsequent to the joint meeting. The lack of succeeding joint discussions and evaluations of the parties' further testing may be caused by the actors holding no shared intentions of e.g. a joint market expansion. The value of the knowledge and insights achieved at the meeting will consequently depend on the single firm's utilization and combination with other resources.

Different factors may explain why the parties do not make a joint effort in utilizing the knowledge obtained at the kebab meeting. Firstly, the potential of the kebab market may be considered relatively less important compared to other of the activities of either party. Secondly, the characteristic of the Aston Proteins – Gellert – Stern relationship may constitute a barrier for a joint effort. Past relationship strategies as well as the position and dependence on the mediating role of the distributor may limit the possibilities for building a closer relationship to Stern, necessary for a joint effort. A third explaining factor may be the institutionalized praxis of industry actors to keep decisive developmental possibilities to themselves.

However, as exchanges and joint application development efforts between Aston Proteins and customers are conditioned by mediating distributors, their role is essentially tripping Aston Proteins' quest for gaining control with its strategy of building closer customer relationships. Distributors are perceived to be disturbing the flow of orders and the information exchange with customers. However, there seems to be no way around distributors in creating a mutual directionality and in winning the confidence of customers.

Case 2: Danish Spices – connecting multiple customers in joint idea generation activities

In Denmark three large retailing firms dominate the food consumption market. As a consequence of a decreasing number of private butcher shops in Denmark, the influence of the retailers as a main place for consumers to shop for meat products has been increasing. In selected (non-discount) retail chains each of the three retailing firms runs in-store butcher shops and delicatessens employed with trained butchers to sell consumer meat products. With the retailers' general centre of attention focused on increasing the use

of private labels also in meat products, they are engaging in joint efforts with meat processors and suppliers of spice mixtures and marinades to develop private label meat products and concepts for their in-store butcher shops and delicatessens.

Danish Spices is a smaller manufacturer and supplier of spice mixtures and marinades for various ranges of meat products. The firm's offerings extend from simple mixtures and marinades giving taste to meat cuts to functional mixtures providing a function of e.g. starching and/or improving keeping qualities. For the past couple of years Danish Spices has increased direct collaboration with large retailers and industrial food producers by supporting and servicing the product development effort of these customers. The industrial customer base of Danish Spices, constituted by the meat producing and processing industry, operates in different sectors of the meat industry – i.e. poultry, beef and pork.

Whereas Danish Spices service each of the three large retailing firms, a special relationship has been developed to Euroretail who has more than 1000 stores in Denmark and selected foreign countries.

Existing relationship management/network routines

The retailing sector in Denmark is rather concentrated with few large players dominating the scene. Accordingly, retailers direct the access to end consumers holding a strong bargaining power when food producers wish to introduce new products and concepts. The concentration in the retailing sector is mirrored by an equal strong concentration among Danish food producers, especially within dairy and meat production. These large food producing and processing firms are depending on retailers for their products to reach end consumers. Therefore it is considered vital for these actors to maintain good relationships with retailers for building a sound business performance ([Strandskov, 1999](#)).

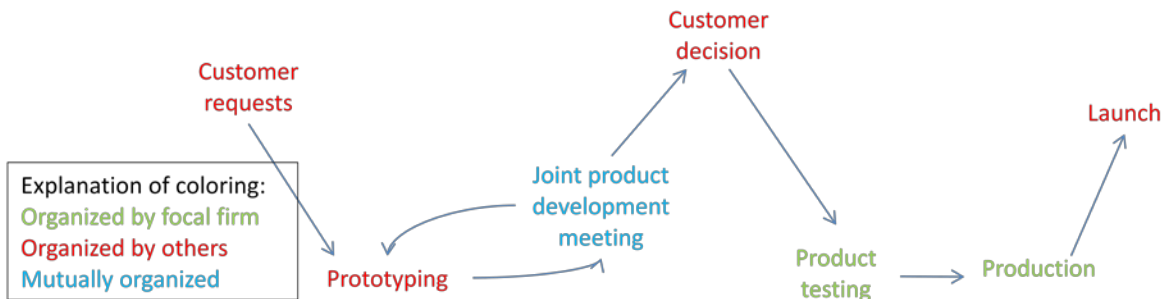
The growing use of convenience products and a slight increasing consumption of spices in Danish households ([Statistics-Denmark, 2009](#)) is the platform for retailers and meat processing firms to draw on the services of Danish Spices and similar suppliers for adding value to meat products, providing the ground for increased sales and earnings. Joint development efforts between a larger customer and a smaller supplier rest upon one-to-one relationships.

Danish Spices' network picture of its current position

The collaboration with selected industrial and retail customers is having a strong influence on the network picturing of Danish Spices. The relationships to these central actors are considered important not only for increasing sales but also for building and developing Danish Spices' position in the network. The directionality of relationships is related to the flow of goods and customized services for building a position as a preferred development partner. As illustrated in figure 4 prototyping are organized as a reactive

response to customers' requests, while the products are developed and evaluated by the customer at joint meetings. Danish Spices is constantly adjusting their flexibility servicing the single customer.

Figure 4: Danish Spices' network picture of its current position



Danish Spices seeks to prioritize customers, whose reactions and expectations to the joint endeavor merge with Danish Spices' expectations. In this process, Danish Spices has been trying to be rather selective when choosing which customers to involve in product development.

We have placed most development resources in those customers having the greatest potential, you see. And naturally, this is where we have had our main expansion (...). We are very selective in the use of our development resources. Well, those customers giving a positive feedback on our joint efforts are of course the ones we would like to allocate most resources to. When we feel we are not getting anywhere with a customer, we shut off, use no more resources. In this sense, the picture is rather selective.

Innovation Manager, Danish Spices

Servicing selected customers one by one, product development is often linked and adjusted to the internal procedures of the single customer. In the quest for building cohesion between the internal product development activities and the customers' activities, Danish Spices is trying to standardize and routinize its product development effort while customizing additional services to central customers. To capitalize on these customized services and adjusted activities, services are copied to other selected customers over time.

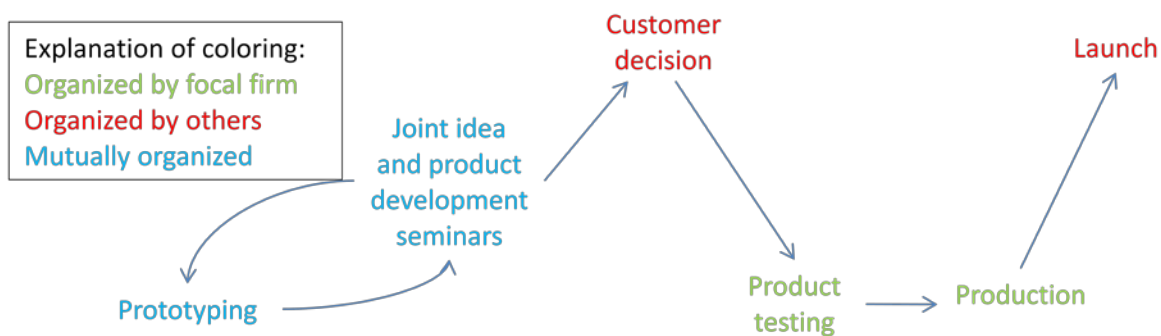
Euretail is viewed as a central and prominent partner giving Danish Spices a seal of approval in the eyes of other actors in the industry. Danish Spices is single supplier of spices and marinades to Euretail's in-store butcher shops and delicatessen and the firm is essentially ready to walk the plank for this customer. Euretail possesses a dominating and influential role for organizing product development activities in

relation to Danish Spices. Euretail is chairing joint development efforts, holding the mandate to define, divide and coordinate development activities. Danish Spices's role in providing new ideas for new products is however not to be neglected. Through its expertise in spice mixture and marinade production, Danish Spices influences the selection of new spice mixtures and marinades for Euretail to utilize thus creating a boundary for the retailer's introduction of new products.

Picturing value creating opportunities through new activities across customer relationships

During the past couple of years, Danish Spices has put great effort in building and developing relationships not only to Euretail but also to some of the larger industrial actors in the Danish food industry. The relationships to these actors are perceived to be important not only for increasing sales but also for the building and development of Danish Spices' position in the industry. Whereas Danish Spices meets regularly with Euretail the firm sees opportunities for value creation through developing a position as an interconnecting development partner, not only developing new products for the single industrial or retail customer but also mediating product development between these two categories of customers. To attain a more proactive role as a development partner, Danish Spices invites Euretail and several additional customers to a large joint development seminar, with the intention of connecting customers' initiatives and exchange knowledge on consumer trends and product ideas. This is illustrated in figure 5.

Figure 5: Danish Spices' network picturing of value creation possibilities



The strategic intention of the firm is to utilize relationships for gaining more control over own and joint development activities and for creating holes of access to the market of end consumers. Through building these interconnected relationships, Danish Spices believes to get more influence on the wider network, by being less dependent on customer controlled activities.

Interaction and outcome

Through joint developmental efforts with Danish Spices, it is Euretail's intention to create an innovative collaboration with a partner that holds the capabilities and resources to provide creative ideas for new

convenience consumer meat products as well as contribute with services and developments that support the optimizing of Euretail's internal working procedures and activities. To Danish Spices the strategic intention and purpose of involving Euretail in product development is, on one hand, to engage in a mutual discussion of consumer trends and evaluation of new product ideas. On the other hand, Danish Spices wants to be a flexible and active development partner servicing the special needs of selected customers. These intents seem to collide and only ambiguously create the desired value for both partners. When Danish Spices invites the retailer to joint development seminar with additional customers, Euretail declines. Euretail blocks the process and refuses to participate arguing that they expect the other parties to steal and imitate their ideas. Consequently, this is leaving less scope for Danish Spices to unfold the intended interconnecting position.

Euretail recognizes its dependence on the services and supporting activities of Danish Spices for optimizing and developing the working procedures and production activities at in-store butcher shops and delicatessens. Therefore, the retailer aims at creating a product development outcome that supports the building of its internal routines. Involving additional customers in this process is believed to weaken the power of the retailer.

If there is something we do not wish to do, it is to have a supplier determine what products that are in our stores, because then we are no longer in control.

Purchasing Manager, Euretail.

By engaging in the role as a flexible and adapting development partner, Danish Spices is complying with its strategic intention of mutual developments with several customers at one joint seminar. In other words, Danish Spices becomes an expanded development office to Euretail and not a creative and innovative partner. Whereas the retail customer is dependent on Danish Spices in e.g. the building and maintenance of internal working procedures at in-store butcher shops and delicatessens for preparing and producing new products, the development of the relationship with Euretail is also an important means for Danish Spices to reach beyond the dominance of retailers and other actors in the food industry and actually reach end consumers.

Case 3: Allstar – strengthening internal activities through collaboration

In Denmark one producer often dominates a food product category and one or two firms are followers. This is also the case in the category of branded cold cuts for sandwiches and Danish 'smørrebrød'¹. The

¹ Danish lunch specialty consisting of open sandwiches on dark bread.

dominating producer of cold cuts (measured in market share and turnover) has the widest range of product and has a strong presence at retailers' shelves, due to a strong brand in the eyes of Danish consumers. Each of the three large retailing firms in Denmark has their own low-priced, private label of cold cuts, complementing the branded assortment.

As a producer of cold cuts Allstar is second on the market and thus a market follower. Allstar's branded and private label products are sold through both the large retailing firms in Denmark and in a range of smaller national and foreign retailers present on the Danish market. The firm is based and founded in Denmark, but today it is a part of a larger Scandinavian group.

Being second in the cold cut product category, Allstar is experiencing the challenges of a stronger competitor. The competitive situation is affecting the firm's relationships with retail customers, placing strong demands on the firm's introduction of branded products variants.

Existing relationship management/network routines

Retailers are perceived to have a strong influence on which products and producers are to be on or off the shelves. In general, retailers judge as central the food producers that have profitable sales, are reasonably innovative in terms of fast acceptance by end consumers, and also who contribute to in-store advertisement. In other words, to be counted a central supplier by retailers firms not only have to have profitable product lines with regular innovative new product introduction. To an increasing degree firms also have to comply with the business scope and operational routines of retailers. The directionality in the food producer – retailer relationships is thus a rather strong dominance on the retailers' side. Among food producers it is considered important to negotiate for the shelf space of existing products and to market new products extensively.

In general larger food producers will have the resources to back up new products presented with extensive marketing campaigns. In the eyes of Allstar, this makes retailers anticipate a more profound marketing effort also from smaller producers, even though retailers acknowledge these may have less of a budget. Secondly, due to their size, these large food-producing firms are capable of influencing the retailers' category management. This affects the product introductions of smaller producers and the placement of their products on the shelves.

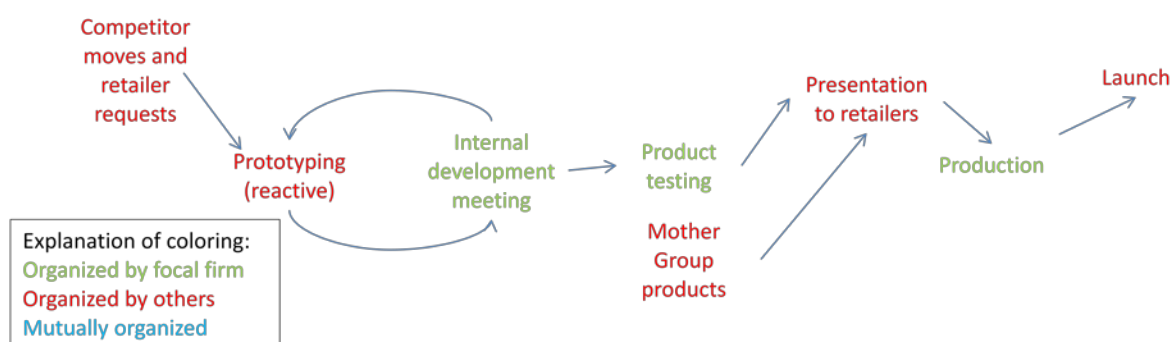
In the category of cold cuts the dominating producers is by Allstar perceived to, time and time again, beat the firm at the developmental finishing line. Accordingly every smaller victory is perceived to be important – even if it is related to winning the distribution in a smaller retail firm. Thus, the motives for deciding when to develop and launch a new product may also be ascribed to a chance to beat the competitor – even if

only in small scale and not that cost-effective. In this sense product development is a means to enhance rivalry.

Allstar's network picture of its current position

Allstar strives to create value by continuously introducing new products and concepts under the Allstar brand which match the demands of their retail customers and the trends at the consumer market. By taking point of departure in the development of new products, it is the intention of Allstar to retain its perceived position as the second largest actor in the product category of cold cuts. The effort is largely directed by the dependence on retailers' requests and the moves of the large dominating competitor. As illustrated in figure 6, Allstar only has limited control over the activities in the development process.

Figure 6: Allstar's network picture of its current position



Further the effort is influenced by the mother group, who is the largest producer of cold cuts in Scandinavia, embracing several related product categories such as pâtés, spreads and salads marketed under a range of different brands. For one, the headquarters seek to standardize product offers across its various Scandinavian subsidiaries by introducing new products in more than one of the Scandinavian countries. This is, however, not always possible due to the cultural differences and related consumer preferences that can, after all, be found across the Nordic countries. The Scandinavian group is occupied with enhancing the marketing and product development competencies of the related subsidiaries. However, it is the policy of the Scandinavian group to operate with a rather limited marketing budget, this is restraining the firm's marketing maneuvering for supporting the introduction of new products. Even though Allstar holds a wide authority for building and strengthening the organization and forming the content of activities and processes in relation hereto, it is a persistent demand from the mother firm that the areas of marketing and product development should be in incessant focus. Accordingly, and as illustrated in figure 5, the mother group from time to time dictates products to be presented to Danish retailers.

Picturing value creation possibilities by strengthening internal activities through collaboration

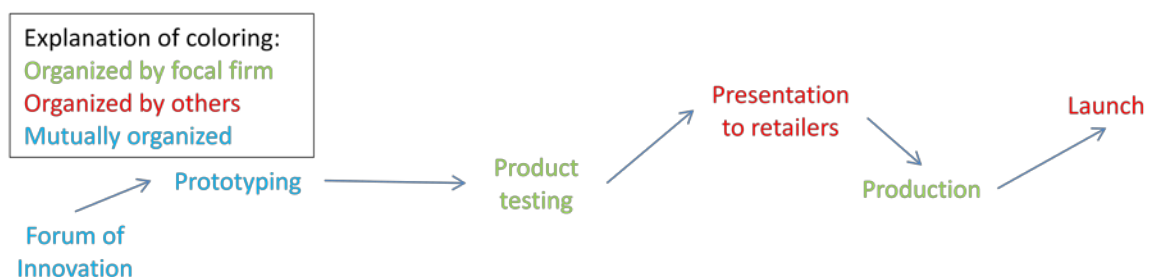
The strategic intention of the Marketing Manager at Allstar is to retain the firm’s position by developing more new products that reach retailers’ shelves, that are more novel than competing products, and that become a selling success among consumers. To accomplish this objective, it is considered important to not only develop products with a higher novelty, but also to support the introduction of new products with adequate marketing campaigns. In the quest reach this, the Marketing Manager forms a ‘Forum of Innovation’ in collaboration with the advertising agency PROmotion. The aim is to develop more novel products supported by novel advertising initiatives.

The purpose of our Forum of Innovation is to renew ourselves continuously and offer new products and product categories, which correspond with market demands, demands for new products and the expectations consumers and customers have of us. (...) Fundamentally, I believe that this Forum of Innovation is simply a prerequisite for existing or for (...) ensuring that our existence is justified in the future. Because I believe it is new products that help ensure the survival of our brand.

Marketing Manager, Allstar

Strong personal relations between Allstar and the agency, as well as the agency’s knowledge and insights of the food industry are to provide innovative input to the product development effort of Allstar. Figure 7 is illustrating how the initiative is intended to make the firm less dependent on retailer requests and competitor moves by mutually organizing idea development and prototyping in collaboration with PROmotion. In essence, the agency is taking on the role of a market actor replacing the role of a customer as a development partner.

Figure 7: Allstar’s network picturing of value creation possibilities



The joint development meetings at the Forum of Innovation may be contemplated as one step in a sequence of several activities related to the development of new products and concepts under the Allstar

brand. Since Forum of Innovation meetings are a recurrent event, the collaboration with PROMotion is considered to be an integrated part of the overall product development effort of Allstar.

Interaction and outcome

As meetings with PROMotion are held, the CEO of Allstar insists on having internal meetings. At these meetings the CEO claims the right the veto any new ideas or new product introductions. Essentially, development decisions based on the joint development with PROMotion is often reversed. Several times the Scandinavian mother firm also indirectly reverses decisions by demanding focus on specific developments across the corporation. Additionally, some ideas have been abandoned due to internal requirements for volume and scale production.

Through the Forum of Innovation the Allstar – PROMotion relationship has been developing from traditional buying of advertising material to a closer, dialogue-based collaboration focusing on product development. The close, collaborative dialogue is both reflected at the discussions at the meetings in the Forum of Innovation as well as in the close personal relations especially between the marketing manager of Allstar and the owner of PROMotion. Both parties perceive the relationship to be an extraordinary one, thus extending beyond the joint effort of focusing on the development of new products to also include strategic issues related to Allstar's general business development.

Whereas the parties' joint intentions and efforts are building on perceived market demands and prerequisites, the internal resource mobilization at Allstar seems to play a stronger role. The right of veto held by the managing director of Allstar, when it comes to which new products to launch, as well as the guidelines for new product introductions, and the limited resources of the firm's marketing budget, are all factors that influence and restrain the joint product development effort with the advertising agency. Even though joint meetings at the Forum of Innovation are regarded as an inspiration and motivation for succeeding product development activities, the meeting may in reality be considered more of an input resource than an integrated product development activity for Allstar.

Sometimes I might think that it can be a disadvantage that we, in my opinion, usually are participants capable of making decisions in our Forum of Innovation, and yet not capable enough because the managing director is in an incredibly dominating position.

Sales Manager, Allstar

In this sense, Forum of Innovation meetings become only one among many other product development activities at Allstar, and especially, internally held product development meetings with the managing director are more essential to the developmental outcome.

It is questionable whether the intended or the potential value from the involvement of PROMotion is reached. On one hand, there seems to be an internal incongruence in the organization of the objective at Allstar and the potential of the product development collaboration with PROMotion. At least the collaboration has not had a significant influence on the internal organizing of the product development activities at Allstar. In other words, the absence of process adjustments or developments is, in this sense, blocking for the development of new products. On the other hand, in spite of the contribution of PROMotion with knowledge and input on consumer trends and on the expected demands from retailers, as well as with possible communication-related and marketing-related activities for introducing a new product, the interdependency between Allstar and PROMotion is not calling for a mobilization of resources. Even though PROMotion is given the role of a customer in order to contribute to the product development activities of Allstar, the advertising agency does not hold the impact of a customer.

Discussion: the dynamic tension between creative network picturing and stabilizing routines

Our interest has been to investigate strategic defeat when firms quest to develop their network position. The study focuses on firm interaction and managers' intentions for creating or altering existing activities and division of work. By researching why firms do not obtain an intended new network position we seek to clarify the reasons why. Our point of departure is the manager's picture of their wider network and their related intentions for strategic alterations leading to enhanced network positions. Accordingly, we study the tension between network pictures for initiating and developing network position and the rigidities of existing routines and established structures of the network.

Firm endeavor for initiating or developing network position has been described as a managerial and creative process of picturing opportunities for relationship development and value creation. When encountering the routines of existing relationships and networks firms may experience strategic defeat. The embedded nature of networks and the interactive characteristics of relationships namely induce mutual adaptations between interacting actors. Adaptations will be relationships specific and considered a sunk cost. When an actor strives to alter existing relationships or develop new ones, other actors will seek to maintain existing adaptations. This may create dynamic tensions between managers' creative picturing of opportunities for building a network position and considerations of retaining existing routines – internally

as well as across organizations. This creates a dynamic tension equivalent to discussion of aligning exploitation and exploration (March, 1991; Wilkinson & Young, 2002). Within the IMP tradition this tension is argued to be related to problems like path-dependencies in resources, patterns of activity interdependencies and the time perspective of relationships which may all influence the roles and positions of actors (Hakansson, Ford, Gadde, Snehota, & Waluszewski, 2009). When an actor seeks alterations he may encounter problems of required changes by many other firms or that relationships are not considered the most important. These are related to the division of work in the network production system and to the function of firms and their relative importance (Johanson & Mattsson, 1992). However, the process of creative picturing is also intended to capture the dynamics of multiple intentions and perceptions of how many firms are engaged in aligning exploration and exploitation. From the present study we learn that strategic choices of firms, in a collaborative context of interdependencies, are restricted by the contingencies of past dealings and the contemporary setup. This study has shown that introducing new and altering existing activities in relationship may be very difficult to achieve as these re-definitions of relationship roles may collide with the rigidities of existing divisions of work.

In the existing internal setup at Allstar, the veto right of the CEO, demands for standardization and a limited marketing budget provided by the Scandinavian mother corporation, as well as the demands for volume production, minimize the collaboration and joint developments with the advertising agency PROMotion. Even though joint meetings at the Forum of Innovation provides many new ideas for new products – and also successful ones in terms of market returns – Allstar seems locked in its established internal activities. Essentially, the internal routines is blocking for a strengthened position vis-à-vis competitors and in negotiations with retailers.

In the case of Danish spices the retailer is considered an influential and important customer. In their quest for being a flexible development partner Danish Spices ends up being an extended development office to Euretail. Danish Spices' attempt to create value as an interconnecting partner, coordination the collaboration and development effort between industrial meet producing firms and the Danish retailers is capsized when Euretail considers joint development with other customers a potential threat to their established position. In other words, Euretail uses its influence to retain existing routines in the collaboration with Danish Spices – but also effecting the collaboration between Danish Spices and their other customers.

The intentions to build stronger and direct relationship to customers collide with existing relationships to distributors in the case of Aston Proteins. Established and past-dependent relationship roles and divisions of work give the distributor Gellert an essential role in exchanging knowledge with the customer Stern.

Even though the intention at the joint meeting is to build a closer relationship to Stern, the distributor is taking on as well as enjoined the role as orchestrating the joint effort. Aston Protein gains new product related knowledge and information on the German market but sees defeat in building a closer and direct relationship to the customer Stern for further developments.

Baraldi and colleagues (2007) argue that in order to strategize for a new position in the network it is important to scrutinize the interfaces and cohesion between a firm's internal processes and performance and the processes and performance of specific others. Accordingly, attempts for strategizing in a relationship need to be expressed in interactive terms related to the negotiation of the parties as well as the physical exchange (product, services, financial, etc.). These attempts will also include the firms' considerations and expectations of effects as well as their expectations of the considerations and expectations of others (Ford et al. 2003). Each firm must strategies in a way that their problem-solving is compatible with that of their counterparts; that is, related to past interaction, future expectations and relationships in the wider network (Ford and Mouzas 2007).

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